

28 February 2020

# LBS Bina Group Berhad

## FY19 Within Expectation

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**FY19 CNP came in within our/consensus estimate at 101%/99%, respectively. FY19 property sales of RM1,630m is above management and our expectations. No dividend declared against our 1.3 sen estimate. Post-results, we maintain our FY20E CNP of RM77m and introduced FY21E CNP of RM81m. No new development with regards to the ZIC Land. Maintain MP with lower TP of RM0.480 (from RM0.520) based on lower P/BV of 0.59x (from 0.67x) which is at the minus 1.5SD level.**

**Within expectation.** FY19 Core Net Profit (CNP) of RM70.7m came in within our/consensus estimate at 101%/99% of full-year. Besides, FY19 sales of RM1,630m exceeded both management and our target of RM1.5b each. No dividend was declared, which is below our 1.3 sen estimate.

**Results' highlight. YoY,** FY19 registered lower CNP of RM70.7m (-17%) mainly due to: (i) lower contribution from the construction and trading segment caused by softer profit margin from on-going project, and (ii) higher interest cost (+44.6%) compared to FY18, despite the company recording healthy growth of 26% in property revenue. **QoQ,** 4QFY19 recorded lower CNP of RM17.9m (-15%), dragged by both property and construction revenues due to lower completion of certain projects in current quarter.

**Outlook.** Management has set a conservative sales target of RM1.6b for FY20 with RM113m achieved as at February 2020. Total planned GDV launch amounted to RM2.321b, mainly from CyberSouth, LBS Alam Perdana, Genting Midhills 2, Emerald Garden 3, Cameron Highlands and Taman Kinding Flora. Besides, unbilled sales of RM2.2b as at December 2019 provide slightly more than a year earnings' visibility. As for the ZIC Land, there is no major new development, and the company is currently working to improve and revise the upgrading and transformation plan after the Chinese government unveiled the national development plan for Greater Bay Area. The company is targeting to resubmit the plan to the authority in near future.

**Earnings review.** Post results, we maintain our FY20E CNP of RM77m with sales target of RM1.6b and introduced our FY21E revenue of RM1,565m and CNP of RM81m.

**Maintain MARKET PERFORM with lower TP of RM0.480 (from RM0.520).** We maintain our conservative P/BV valuation method as a gauge to ascertain the trough valuations of property stocks amid the prevailing market down cycle. Our TP is based on P/BV of 0.59x (at minus 1.5SD of its 3-year historical band) on an adjusted BV/share of RM0.81 (after imputing a 40% discount to its latest available inventory level of completed properties).

**Risks to our call include:** (i) stronger/weaker-than-expected property sales, (ii) changes in real estate policies, (iii) changes in lending environment, and (iv) positive/negative news development of ZIC Land.

## MARKET PERFORM ↔

Price: **RM0.475**  
Target Price: **RM0.480** ↓

### Share Price Performance



KLCI 1,505.59  
YTD KLCI chg -5.2%  
YTD stock price chg -4.0%

### Stock Information

Shariah Compliant Yes  
Bloomberg Ticker LBS MK EQUITY  
Market Cap (RM m) 727.1  
Shares Outstanding 1,530.7  
52-week range (H) 0.69  
52-week range (L) 0.45  
3-mth avg daily vol: 1,163,199  
Free Float 39%  
Beta 0.9

### Major Shareholders

Gaterich Sdn Bhd 42.2%  
Kumpulan Wang Persaraan Diperbadankan 11.4%  
CIMB Group Holdings Bhd 4.4%

### Summary Earnings Table

FY Dec (RM'm)	2019A	2020E	2021E
Turnover	1,325	1,527	1,565
EBIT	213	216	190
PBT	158	163	137
<b>Net Profit (NP)</b>	<b>71</b>	<b>77</b>	<b>81</b>
<b>Core NP</b>	<b>71</b>	<b>77</b>	<b>81</b>
Consensus (CNP)	N.A.	82	83
Earnings Revision	N.A.	0%	N.A.
Core EPS (sen)	4.5	4.9	5.2
Core EPS growth (%)	-18	11	6
NDPS (sen)	0.0	1.5	1.6
BV/Share (RM)	0.88	1.02	1.06
Core PER (x)	10.6	9.6	9.1
PBV (x)	0.5	0.5	0.4
Net Gearing (x)	0.7	0.6	0.5
Dividend Yield (%)	0.0	3.1	3.3

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## Results Highlights

FY Dec (RM m)	4QFY19	3QFY19	QoQ	4QFY18	YoY	FY19	FY18	Ytd-YoY
Turnover	291.1	388.2	-25.0%	166.8	74.5%	1325.2	1122.0	18.1%
<b>Gross Profit</b>	<b>95.2</b>	<b>106.5</b>	<b>-10.6%</b>	<b>95.1</b>	<b>0.0%</b>	<b>379.2</b>	<b>359.7</b>	<b>5.4%</b>
<b>EBITDA</b>	<b>62.6</b>	<b>69.5</b>	<b>-9.9%</b>	<b>57.9</b>	<b>8.2%</b>	<b>246.9</b>	<b>226.1</b>	<b>9.2%</b>
<b>EBIT</b>	<b>53.0</b>	<b>61.3</b>	<b>-13.6%</b>	<b>50.0</b>	<b>5.9%</b>	<b>213.2</b>	<b>199.0</b>	<b>7.2%</b>
Interest Income/(expense)	-15.0	-16.0	-6.1%	-13.1	14.5%	-55.3	-38.2	44.6%
Associate	0.0	0.0	N.M.	0.1	-37.0%	0.0	0.0	-6.1%
<b>PBT</b>	<b>38.0</b>	<b>45.3</b>	<b>-16.2%</b>	<b>37.0</b>	<b>2.7%</b>	<b>158.0</b>	<b>160.8</b>	<b>-1.7%</b>
Taxation	-14.0	-16.9	-17.2%	-20.1	-30.4%	-65.5	-66.1	-0.9%
Minority Interest	-6.1	-7.4	-17.2%	0.2	-3051.7%	-21.8	-9.6	127.0%
<b>Net Profit</b>	<b>17.9</b>	<b>21.1</b>	<b>-15.0%</b>	<b>17.1</b>	<b>4.6%</b>	<b>70.7</b>	<b>85.1</b>	<b>-17.0%</b>
<b>Core NP</b>	<b>17.9</b>	<b>21.1</b>	<b>-15.0%</b>	<b>17.1</b>	<b>4.6%</b>	<b>70.7</b>	<b>85.1</b>	<b>-17.0%</b>
<b>Core EPS (sen)</b>	<b>1.15</b>	<b>1.35</b>		<b>1.20</b>		<b>4.54</b>	<b>5.98</b>	
<b>NDPS (sen)</b>	<b>0.0</b>	<b>0.0</b>		<b>0.0</b>		<b>0.0</b>	<b>0.0</b>	
<b>BVPS (RM)</b>	<b>0.88</b>	<b>0.86</b>		<b>0.95</b>		<b>0.88</b>	<b>0.95</b>	
<b>EBIT Margin</b>	<b>18.2%</b>	<b>15.8%</b>		<b>30.0%</b>		<b>16.1%</b>	<b>17.7%</b>	
<b>Pretax Margin</b>	<b>13.1%</b>	<b>11.7%</b>		<b>22.2%</b>		<b>11.9%</b>	<b>14.3%</b>	
<b>Net Gearing (x)</b>	<b>0.69</b>	<b>0.72</b>		<b>0.79</b>		<b>0.69</b>	<b>0.79</b>	
<b>Effective Tax Rate</b>	<b>36.8%</b>	<b>37.3%</b>		<b>54.3%</b>		<b>41.4%</b>	<b>41.1%</b>	

Source: Company, Kenanga Research

## Segmental Breakdown

FY Dec (RM m)	4QFY19	3QFY19	QoQ	4QFY18	YoY	FY19	FY18	Ytd-YoY
<b>External Revenue</b>								
Property Development	278.1	357.7	-22.3%	117.5	136.7%	1179.1	934.8	26.1%
Construction & Trading	3.1	21.1	-85.5%	39.8	-92.3%	112.5	156.5	-28.1%
Management, Investment & Others	2.4	2.0	17.5%	1.9	24.9%	7.6	6.4	19.2%
Motor Racing Circuit	7.5	7.3	3.0%	7.6	-1.4%	25.9	24.2	7.1%
<b>Total</b>	<b>291.1</b>	<b>388.2</b>	<b>-25.0%</b>	<b>166.8</b>	<b>74.5%</b>	<b>1325.2</b>	<b>1122.0</b>	<b>18.1%</b>
<b>Profit Before Tax</b>								
Property Development	44.4	53.4	-16.9%	31.9	39.1%	180.5	112.9	59.8%
Construction & Trading	2.2	2.8	-21.4%	3.4	-36.8%	15.5	43.7	-64.5%
Management, Investment & Others	-8.6	-10.8	-21.0%	0.6	-1432.7%	-32.5	9.6	-437.2%
Motor Racing Circuit	0.0	0.0	84.6%	1.0	-97.7%	-5.5	-5.5	1.3%
<b>Total</b>	<b>38.0</b>	<b>45.3</b>	<b>-16.2%</b>	<b>37.0</b>	<b>2.7%</b>	<b>158.0</b>	<b>160.8</b>	<b>-1.7%</b>
<b>PBT Margins</b>								
Property Development	16.0%	14.9%		27.1%		15.3%	12.1%	
Construction & Trading	70.5%	13.0%		8.6%		13.8%	27.9%	
Management, Investment & Others	-359.7%	-534.8%		33.7%		-424.8%	150.2%	
Motor Racing Circuit	0.3%	0.2%		13.4%		-21.4%	-22.6%	

Source: Company, Kenanga Research

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## Peer Comparison

Name	Last Price	Market	Shariah	Current	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div.Yld. (%)	Target	Rating
	(RM)				Cap (RM'm)	Compliant	FYE	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	
<b>PROPERTY DEVELOPERS UNDER COVERAGE</b>																		
AMVERTON BHD	1.20	441.7	Y	12/2020	-1.9%	2.2%	0.0%	19.6%	87.0	86.4	72.9	0.6	0.6	0.7%	0.0%	1.20	MP	
ECO WORLD DEVELOPMENT GROUP	0.635	1,855.0	Y	10/2020	-19.2%	25.6%	8.0%	7.8%	9.3	8.6	7.9	0.4	0.4	4.8%	1.7%	0.750	MP	
IOI PROPERTIES GROUP BHD	1.04	5,781.5	Y	06/2020	1.4%	2.6%	-3.0%	8.2%	8.7	8.9	8.3	0.3	0.3	3.5%	4.8%	1.45	OP	
LBS BINA GROUP BHD	0.475	727.1	Y	12/2020	15.2%	2.5%	8.5%	5.2%	10.6	9.6	9.1	0.5	0.5	5.6%	3.1%	0.480	MP	
MAGNA PRIMA BHD	0.750	249.5	Y	12/2020	7.7%	8.4%	-136.3%	-115.2%	N.A.	N.A.	N.A.	0.5	0.5	-4.3%	0.0%	0.545	UP	
MAH SING GROUP BHD	0.655	1,578.0	Y	12/2019	-17.5%	6.5%	-36.9%	7.0%	9.7	15.4	14.4	0.5	0.5	3.4%	6.1%	0.750	MP	
MALAYSIAN RESOURCES CORP BHD	0.660	2,757.5	Y	12/2019	18.2%	-7.0%	140.1%	19.0%	122.2	50.8	44.0	0.6	0.6	1.2%	0.0%	0.630	MP	
SIME DARBY PROPERTY BHD	0.760	5,202.6	Y	12/2019	1.5%	-7.7%	-7.3%	6.6%	7.3	7.9	7.4	0.5	0.5	7.0%	3.9%	1.00	OP	
SP SETIA BHD	1.28	5,174.4	Y	12/2020	19.9%	7.7%	48.0%	59.9%	20.3	13.6	8.5	0.4	0.4	2.7%	2.2%	1.45	OP	
SUNSURIA BHD	0.595	492.8	Y	09/2020	-2.7%	7.3%	-4.0%	4.8%	4.0	4.2	4.0	0.6	0.6	14.5%	0.0%	0.575	N.R.	
SUNWAY BHD	1.79	8,775.8	Y	12/2020	11.5%	8.8%	0.8%	9.3%	13.7	13.7	12.5	1.1	1.0	7.5%	3.6%	1.75	MP	
UEM SUNRISE BHD	0.620	2,767.8	Y	12/2020	-17.5%	-0.9%	-9.3%	-13.8%	9.0	9.9	11.5	0.4	0.4	3.9%	1.6%	0.720	OP	
UOA DEVELOPMENT BHD	1.98	3,932.0	Y	12/2020	6.6%	15.7%	-9.0%	13.3%	10.7	11.0	9.7	0.8	0.8	7.0%	7.1%	2.15	OP	
<b>Simple Average</b>					<b>1.8%</b>	<b>5.5%</b>	<b>0.0%</b>	<b>2.4%</b>	<b>25.8</b>	<b>20.0</b>	<b>17.4</b>	<b>0.6</b>	<b>0.5</b>	<b>4.4%</b>	<b>2.6%</b>			
*SIMEPROP change of FY-end from 30-Jun to 31-Dec. Our historical numbers are based on FY18A while 1-Yr and 2-Yr Fwd are based on FY19E and FY20E figures																		
<b>CONSENSUS NUMBERS</b>																		
GLOMAC BHD	0.335	260.4	Y	04/2020	11.9%	40.2%	22.6%	85.9%	17.7	14.4	7.8	0.2	N.A.	1.7%	2.7%	0.380	N.A	
MATRIX CONCEPTS HOLDINGS BHD	1.91	1,571.6	Y	03/2020	7.3%	9.1%	5.8%	4.8%	7.2	6.8	6.5	1.0	1.0	15.9%	6.4%	2.28	BUY	
PARAMOUNT CORP BHD	1.33	806.9	Y	12/2019	N.A.	N.A.	N.A.	N.A.	8.8	N.A.	N.A.	0.7	N.A.	N.A.	N.A.	N.A.	BUY	
TAMBUN INDAH LAND BHD	0.675	292.6	Y	12/2020	10.6%	9.1%	-13.6%	11.9%	6.0	7.0	6.2	0.5	0.4	6.2%	5.8%	0.750	N.A	
TITIJAYA LAND BHD	0.280	354.6	Y	06/2020	-21.3%	8.5%	-35.0%	15.7%	10.6	16.4	14.2	0.3	0.3	1.7%	45.0%	0.305	N.A	
YONG TAI BHD	0.095	90.3	Y	06/2020	93.2%	-5.5%	-1067.1%	-68.0%	N.A.	N.A.	N.A.	0.2	0.2	-1.2%	0.0%	0.137	N.A	

Source: Bloomberg, Kenanga Research

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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